

# Iress reports 2019 financial results

+10% revenue, +10% Segment Profit growth driven by strong underlying performance in Australia and the UK and contribution from QuantHouse<sup>1</sup>

- **Group revenue:** \$508.9 million, +10% on 2018 (+8% on a constant currency basis<sup>2</sup>)
- **Group Segment Profit**<sup>3</sup>: \$152.1 million, +10% on 2018 (+10% a constant currency basis), at the top end of guidance. Underlying<sup>4</sup> margins +1%
- **Reported NPAT:** \$65.1 million, +2% on 2018 (+11% excluding AASB16 and QuantHouse impact)
- **Final dividend:** 30 cents per share, 40% franked
- **Strong underlying fundamentals:** Cash conversion of 87%; recurring revenue ~90%; net debt balance \$194.9 million representing a conservative leverage ratio of 1.3x Segment Profit

Iress (IRE.ASX) today announced its financial results for the year to 31 December 2019. On a constant currency basis, operating revenue was up 8% on 2018, with Segment Profit up 10%. Revenue growth reflects strong underlying performance in Australia and the United Kingdom, as well as the acquisition of international market data business QuantHouse.

Reported NPAT was up 2% on 2018, impacted by the new lease accounting standard AASB16 and the acquisition of QuantHouse. Excluding these, NPAT was up 11% on 2018.

Iress chief executive, Andrew Walsh, said: “Our 2019 results highlight the continuing demand for our software and services, as financial services businesses turn to Iress seeking expertise in transitioning to more efficient, data-driven ways of working.

“In Australia, we are helping substantial numbers of advisers who are changing licensing arrangements, with more than 500 advice businesses setting up and moving to new Xplan sites in 2019. We are uniquely positioned to provide full and scaled advice for a range of advice providers.

“Our private wealth software continues to gain momentum in Australia with two retail firms selecting Iress’ private wealth software in 2019. We’re also seeing positive momentum in our superannuation business, with two significant client wins for our super administration software.

“In the UK, revenue growth was stronger in the second half, with the continued rollout of Xplan to advice businesses and the take up of our private wealth software by two large investment managers. We also saw strong momentum in our mortgages business, which was not reflected in the 2019 result.

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<sup>1</sup> QuantHouse was acquired in May 2019.

<sup>2</sup> Constant currency basis assumes 2019 results are converted at the average foreign exchange rate for 2018. This allows comparison of group operating performance in Australian dollars before the impact of changes in Australian currency rates.

<sup>3</sup> Iress considers inter-period comparability of results is best presented as the underlying operating results of the relevant businesses calculated excluding share-based payments, non-recurring items and foreign exchange impact of the revaluation of intercompany and cash balances.

<sup>4</sup> Excludes movements in currency, impact of adopting AASB 16 for the first time in 2019, and acquisition of QuantHouse

"Iress remains well-placed for continued success in financial services technology, where we see strong demand for our software across a broad range of clients.

"We expect 2020 reported Segment Profit growth to be between 3% and 8% (\$156m - \$164m), on a constant 2019 currency basis."

## Business highlights

- **Successful delivery of key projects** to clients in the UK, Australia and South Africa across private wealth, financial advice and trading.
- **Strong growth in wealth management in Australia.** Against a backdrop of industry dislocation and change, financial advice performed well with new client implementations, strong demand for Xplan by independent financial advisers and several clients going live with our data analytics and compliance software, Lumen.
- **Continued demand in the UK for integrated wealth and trading software.** Implementations of private wealth software for two top-tier financial services clients.
- **Strong momentum in our mortgage business in the UK.** Three clients now live with four further deployments underway.
- **QuantHouse acquisition** accelerates our data strategy. Highly complementary and strategically aligned with Iress' strategy and evolving market data needs of clients globally.
- **Clients benefiting from improvements in speed, scale and efficiency.** Migration to cloud well underway with several products now live. Significant increase in process automation and continuous delivery. Focus on usability across software, including rollout of enhanced navigation with Xplan.

## Segment results

### APAC

- Operating revenue of A\$264.5 up 5% on 2018, and direct contribution of \$191.1m also up 5%.
- Financial advice and superannuation revenue grew 6% on 2018, led by 10% growth in financial advice, partially offset by a decline in superannuation.
- Advice growth was driven by new Xplan implementations, growth in independent licensees and increased software uptake in response to clients' complex compliance and data needs.
- Continued strong demand for a broad range of software, including expanded data capabilities across market data (QuantHouse) as well as analytics and risk management (Lumen).
- Trading & market data revenue remains resilient with continuing buy-side demand for investment management software and ongoing interest from retail brokers for Iress' private wealth software. In 2019, two leading Australian retail firms made the decision to implement Iress software.
- Superannuation revenue growth was impacted by substantial legislative change during 2019 which impacted the timing of discretionary investment by clients. A focus on business development has resulted in two significant automated super wins.
- Continued strong revenue growth in Asia driven by the successful rollout of online trading software ViewPoint at two regional brokers.

### UK & Europe

- Operating revenue of £77.4m and direct contribution of £49.9m, up 16% and 13% respectively. Underlying revenue (excluding QH revenue) was up 6% on 2018.
- Underlying revenue growth reflects strong momentum with both new and existing client projects, including the deployment of private wealth software with two large investment managers and the

implementation of trading software. There was also a positive contribution from the acquisition of QuantHouse.

- Xplan solidifying its strong position in the financial advice market with footprint expansion, new client signings and acquisition activity among existing clients. Scaled advice software Xplan Prime gained momentum as advisers seek to deliver more efficient financial advice and at scale.
- Ongoing strong demand from sourcing clients for additional data and business intelligence services

## **Mortgages**

- Operating revenue of £15.8m and direct contribution of £10.4m - lower than 2018 as a result of the timing of client projects.
- Operational momentum remains strong. Four client deployments are progressing well. Strong interest from a range of clients for our Mortgage Sales & Originations software.
- Transition to subscription revenue continues - with recurring revenue accounting for 31% of total mortgages revenue in 2019 (2018: 20%).

## **South Africa**

- Operating revenue of ZAR484.7m and direct contribution of ZAR376.3m up 6% and 9% respectively.
- Growth driven by continued demand across product range, as well as successful client deployments including the delivery of the first phase of private wealth software to a tier-one financial services business.
- South Africa's largest online share trading broker deployed ViewPoint to its retail customer base, lifting revenue growth in 2019, while the Johannesburg Stock Exchange derivatives platform went live buoying equity derivative revenues.

## **North America**

- Operating revenue of \$22.4m up 26% on 2018, reflecting positive contribution from QuantHouse. Direct contribution +3% .
- Underlying revenue (excluding QuantHouse) down 8% with stable recurring revenue offset by lower non-recurring revenue due to reduced project activity.
- Project to deliver a retail trading system to a tier-one bank to go live in 2020 and is leading to other client opportunities

## **2020 financial outlook**

- Iress expects reported Segment Profit growth in 2020 of between 3% and 8% (\$156m - \$164m), on a constant 2019 currency basis, which includes the net impact of recent acquisitions of QuantHouse and BC Gateways.
- Execution of medium-term growth opportunities, particularly in super, trading, data, and further scalability, will bring 2020 investment ahead of revenue.
- Growth is expected to be weighted heavily to the second half, reflecting the timing of investment, revenue, and client projects.
- The role of technology in financial services is increasingly important. However, industry change continues in Australia, with uncertainty elevated in the short term.
- Non-operating costs in 2020 are expected to be in the order of \$3.0m-\$6.0m, reflecting workplace investments in the UK and business integration costs.

## Investor conference call

Iress CEO Andrew Walsh and CFO John Harris will host a conference call and Q&A session with the investment community at **9.30am AEST today (20 February 2020)**.

Analysts and investors who wish to participate in the teleconference should dial **1 800 558 698 / +61 02 9007 3187** and quote conference ID **10003637**.

The call will also be webcast live, which can be accessed [here](#). Please note if you use the webcast link you will not be able to ask questions.

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## About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry.

We provide software and services for trading & market data, financial advice, investment management, mortgages, superannuation, life & pensions and data intelligence.

Our software is used by more than 9,000 businesses and 500,000 users globally. We have more than 2,000 people based in Asia-Pacific, North America, Africa and the UK & Europe.

[www.iress.com](http://www.iress.com)